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BY NICHOLAS DANILOFF

WASHINGTON (UPI) -- CONTINUING HIS REFORM OF THE INTELLIGENCE COMMUNITY, PRESIDENT FORD HAS NAMED A HIGHLY REGARDED PROFESSIONAL TO ASSUME THE EXPANDED RESPONSIBILITIES OF DEPUTY DIRECTOR OF THE CIA.

E. HENRY KNOCHE, NOW ASSOCIATE DEPUTY DIRECTOR, REPLACES LT. GEN. VERNON WALTERS, A KEY FIGURE IN THE WATERGATE CRISIS WHO HAS SAID HE WAS USED BY THE NIXON WHITE HOUSE TO HEAD OFF FBI INVESTIGATIONS INTO THE BREAKIN OF THE DEMOCRATIC NATIONAL COMMITTEE HEADQUARTERS.

SOURCES SAID KNOCHE'S APPOINTMENT WAS DIRECTLY RELATED TO FORD'S FEB. 18 EXECUTIVE ORDER REORGANIZING THE INTELLIGENCE COMMUNITY.

EXECUTIVE ORDER 11905 ENLARGED CIA DIRECTOR GEORGE BUSH'S RESPONSIBILITIES FOR COORDINATING OVERALL INTELLIGENCE ACTIVITIES AND SIMULTANEOUSLY UPGRADED THE DEPUTY DIRECTOR'S POST.

KNOCHE, 51, HAS BEEN DESCRIBED BY CIA INSIDERS AS A "BRIGHT, FAIR-HAIRED BOY." HE RECENTLY HANDLED THE CONGRESSIONAL INVESTIGATIONS OF ABUSES BY THE CIA, FBI AND OTHER AGENCIES.

KNOCHE'S EXPERIENCE HAS BEEN IN INTELLIGENCE ANALYSIS RATHER THAN IN CLANDESTINE OPERATIONS OR "DIRTY TRICKS." HE HAS DIRECTED THE NATIONAL PHOTOGRAPHIC INTERPRETATION CENTER, THE FOREIGN BROADCAST INFORMATION SERVICE, AND, FROM 1972-1975, THE CIA OFFICE OF STRATEGIC RESEARCH.

HIS APPOINTMENT FOLLOWS BY SEVERAL WEEKS THE NAMING OF ADM. DANIEL MURPHY TO BE DEPUTY DIRECTOR FOR THE INTELLIGENCE COMMUNITY -- BASICALLY A LIAISON POST BETWEEN THE CIA, STATE DEPARTMENT, DEFENSE INTELLIGENCE AGENCY AND OTHER INTELLIGENCE UNITS.

WALTERS, A LINGUIST WHO INTERPRETED FOR RICHARD M. NIXON DURING HIS 1969 EUROPEAN TOUR, LEAVES THE CIA AFTER FIVE YEARS AS DEPUTY DIRECTOR.

BUSH REPORTEDLY TOLD AIDES THURSDAY HE "VERY MUCH REGRETS" WALTERS' LEAVING AND WILL MISS HIS COUNSEL, BUT CIA SOURCES SAID THE GENERAL'S DEPARTURE ON HONORABLE TERMS REMOVES THE LAST WATERGATE TAIN FROM THE AGENCY.

H.R. HALDEMAN, FORMER NIXON CHIEF OF STAFF, TRIED JUNE 26, 1972, TO USE WALTERS TO RESTRICT THE FBI WATERGATE INVESTIGATIONS.

ACCORDING TO TESTIMONY DEVELOPED IN THE WATERGATE HEARINGS AND TRIALS, HALDEMAN HAD RECOMMENDED TO NIXON: "THE WAY TO HANDLE THIS IS FOR US TO HAVE WALTERS CALL (FBI DIRECTOR L.) PAT GRAY AND JUST SAY 'STAY THE HELL OUT OF THIS ... THIS IS THE CIA.'"

WALTERS TESTIFIED HE AND THEN CIA DIRECTOR RICHARD HELMS WERE ASKED TO MEET WITH HALDEMAN AND JOHN EHRLICHMAN, AND WERE TOLD THE WATERGATE INCIDENT WAS MAKING "A LOT OF NOISE" AND "MIGHT GET WORSE."

GRAY LATER RECALLED THAT WALTERS SAID, "I'M NOT GOING TO LET THOSE KIDS AT THE WHITE HOUSE KICK ME AROUND."

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